

CENTRAL INTELLIGENCE AGENCY

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INFORMATION REPORT

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25X1A2g

COUNTRY Egypt/USSR

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1. The Soviet Legation in Cairo uses the Arab National Bank as the repository of its funds. The Soviets do not have a checking account, but simply make cash deposits and withdrawals. 25X1X6
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Comment. [redacted] reported earlier in 1948 that the Soviet Legation did its banking with the National Bank of Egypt.)
2. [redacted] for the payment of current expenses, the Soviet Legation obtains Egyptian currency from Syrian and Lebanese merchants who have branches in Egypt. In return for Egyptian currency, which fiscal agents of the Legation receive at a black market rate, deposits of gold, platinum, and assorted currencies are made by the Soviets with representatives of these merchants in the Levant. 25X6A
3. Lebanese and Syrian citizens residing in Egypt are exempt from the currency law of July 1947, which requires that all Egyptian nationals declare their foreign currency holdings abroad. They are, therefore, not liable to the legal penalties to which an Egyptian would be liable, should the Egyptian Government be able to prove that a citizen was secretly accumulating foreign exchange abroad in return for Egyptian currency surrendered in Egypt. Since the merchants in question have regular business establishments both in Egypt and in the Levant, they are further able to conceal their transactions. 25X1A6a
Comment. It would seem to be to the interests of the Soviets to obtain Egyptian pounds in exchange for foreign currency in the manner described in paragraph 2 above. However, it is difficult to see why the Soviets do not purchase Egyptian currency with gold or platinum on the open market in Cairo where the price of gold is free. The precious metals could just as easily be sent to Cairo as to Beirut in the Soviet diplomatic pouch. The acquisition of Egyptian currency in Cairo by sale of gold would avoid the potentially embarrassing transactions with middlemen and eliminate their profit. Additional possible sources of Egyptian currency, available to the Soviets, are as follows:

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Next Review Date: 2008

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- a. A small cash residue from the Russo-Egyptian barter agreement of 1947.
- b. Egyptian currency obtained from satellite nations who acquire Egyptian exchange in return for goods and services.
- c. Egyptian assets of satellite nationals.
- d. Egyptian currency purchased abroad and shipped to Egypt in the Soviet diplomatic pouch.
- e. Liquidated Egyptian assets of Armenian repatriates.)

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